

Control Staff

Control Sheet

GROUP 1  
Excluded from automatic  
downgrading and  
declassification

Series Number CIA/RR EP 63-13  
Date of Document 13 February 1963

Classification **SECRET**  
Number of Copies 60

Copy No.	Recipient	Date	Returned
25X1A			
1 - 5	[REDACTED], O/DDI for General Carter	14 Feb 63	
6, 7	AD/RR	"	
8	Ch/E	"	
9, 10	Ch/E for [REDACTED] Special 25X1A		
	Ass't. to Ass't. Secretary for Economic Affairs, Dept. of State (See attached with)	15 Feb 63	
11 - 42	Filed in St/P/C	"	
43 - 45	I/IS	14 Feb 63	
46, 47	I/TF	"	
48 - 50	I/LA	"	
51 - 60	[REDACTED] D/I	"	
11	25X1A	19 Feb 63	22 Apr 63
12	[REDACTED] ST/IR	25 Feb 63	11 Jun 63
16	[REDACTED] O/DDI	25 Feb 63	
13	25X1A [REDACTED] Maritime Adm. [REDACTED] LS/CR (rec'd by mv copy) 25 Feb 63	25 Feb 63	
17	[REDACTED] 45/CR for State	25 Feb 63	
4	[REDACTED] AD/RR	25 Feb 63	
12	25X1A [REDACTED] ST/P	25 Feb 63	25 Apr 63
1, 11, 20 - 42	[REDACTED] O/OOI	11 Feb 63	
12, 14, 15, 17-19	[REDACTED] I/EW 25X1A	19 Feb 63	2 Apr 63
	[REDACTED] Records Center	3 Mar 65	
	[REDACTED] RC	3 Aug 65	

15 February 1963

Mr. Clarence W. Nichols  
Office of the Assistant Secretary,  
Economic Affairs  
Department of State  
Washington 25, D. C.

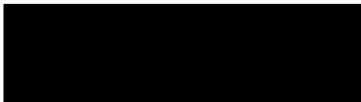
Dear Mr. Nichols:

As I promised you this morning, I am enclosing two  
copies of the very quick study we just completed, Evalu-  
ation of Contingent Economic Countermeasures Against Cuba.

I hope this will be of interest to your people con-  
cerned with economic actions against Cuba.

Sincerely yours,


25X1A



Enclosures: (2)  
Evaluation of Contingent Economic  
Countermeasures Against Cuba, dated  
13 February 1963

Distribution:  
Orig - Addressee  
1 - St/P/C  
2 - Ch/E

25X1A

OCh/E/RR:  :mlc/7605 (15 Feb 63)

S-E-C-R-E-T

Copy No. 11

EVALUATION OF CONTINGENT ECONOMIC  
COUNTERMEASURES AGAINST CUBA

CIA/RR EP 63-13  
(ORR Project No. S-893)

13 February 1963

WARNING

This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

S-E-C-R-E-T

Group 1 Excluded from automatic down- grading and declassification
--

S-E-C-R-E-T

EVALUATION OF CONTINGENT ECONOMIC

COUNTERMEASURES AGAINST CUBA

The evaluation of a series of possible economic countermeasures against Cuba and the Soviet Bloc is discussed under three main headings:

Part I (page 1) -- Discusses the international shipping aspects of this problem and concludes that even if the most severe sanctions short of naval blockade were imposed on shipping to Cuba, (i.e., denial of US ports and cargoes to ships of any country engaging in the Cuban trade) the Soviet Bloc -- after an initial rerouting of Bloc owned and chartered ships -- would be able to maintain the requisite volume of shipping services for Cuba. Under certain conditions this rerouting might result in actual savings to the Bloc in the costs of hiring Western ships. Elimination of Western bunkering facilities for ships in the Cuban trade might cause substantial difficulties for Cuba but traffic could be maintained by bunkering all ships in Bloc ports. Imposition of a naval blockade against tanker deliveries to Cuba could be accomplished physically with little difficulty. A naval blockade against dry cargo ships delivering military-type equipment, however, could cause problems of enforcement because of the need to board and search all dry cargo ships bound for Cuba. It is also pointed out that a high proportion of US trade is carried by ships of the same countries whose ships are engaged in the Cuban trade.

Part II (page 6) -- Discusses the economic impact on the Soviet Bloc of various economic countermeasures and concludes that only a full embargo imposed by all NATO countries plus Japan would be of significant effect. Because the Soviet Bloc is a largely self-sufficient economic unit, a complete embargo by the NATO countries and Japan would, at the most, cause a retardation in economic growth in Communist Europe of the equivalent of two to three months' increment to output.

Part III (page 10) -- Discusses the economic and military impact on Cuba of the proposed courses of action. Among the various countermeasures considered, the most serious impact upon the Cuban economy would be imposed by a quarantine on all petroleum shipments to Cuba. This course would cause a severe decline in Cuba's economic activity, especially in manufacturing, transportation, electric power production, and mechanized or motorized agricultural operations. The mobility of the Cuban armed

S-E-C-R-E-T

Group 1 Excluded from automatic downgrading and declassification
--

S-E-C-R-E-T

forces would be sharply reduced. Within a matter of months, Cuba would exhibit many of the characteristics of a subsistence economy. A Free World boycott against all Cuban goods would reduce Cuba's total exports by about \$100 million. Imports would necessarily be cut by a similar amount and unless Cuba could secure additional credits from the Bloc, would result in a 15 percent decline in the level of total imports. Such a cutback could be expected to fall primarily on the import of capital goods, and the prospects for future growth of the economy would be sharply reduced.

The following questions were addressed:

- A. Enlarge existing executive order so that no ships supplying Castro can carry United States non-government cargo.
- B. Deny access to US ports and cargoes for any ship of any line which supplies Cuba.
- C. Deny access to US ports and cargoes of the ships of any country whose ships are supplying any goods or equipment to Cuba.
- D. Initiate OAS regulations to provide that no ships supplying Cuba may pick up return cargoes in other Latin American countries.
- E. Initiate NATO regulations to provide that no ships supplying Cuba may pick up cargoes in other NATO countries.
- F. Deny US ports to any country providing refueling services to ships carrying goods and equipment to Cuba.
- G. Deny US non-military aid to any country providing refueling services to ships carrying goods and equipment to Cuba.
- H. Initiate OAS embargo on imports from Cuba.
- I. Establish mobile OAS inspection teams to check all ships and planes arriving in Latin America from Cuba.
- J. Cut off sales to the Soviet Bloc of any goods or equipment of a type which the Soviet Bloc is supplying to Cuba.
- K. Initiate a Free World boycott of Cuban goods.
- L. Initiate further restrictions on Free World trade with Soviet Bloc.

S-E-C-R-E-T

M. Initiate ban on flights between Cuba and Free World countries.

If these are insufficient:

N. Institute quarantine on shipments by Soviet Bloc or any other countries of any military equipment to Cuba.

O. Institute quarantine on shipments by Soviet Bloc or any other countries of any petroleum shipments to Cuba.

Additional Points

With respect to each of the points above (A through O), study each in terms of (a) the present level of trade; and (b) the maximum level under existing regulations. For each point, answer the following:

1. How much trade would be affected by the restriction if it were put into effect?

2. In what ways and how much would restriction hurt (a) Cuba, (b) the Bloc?

3. What would (a) Cuba, and (b) the Bloc do to operate in face of the restriction. Could they get around restriction; if so, at what cost?

4. In what ways and how much would the restriction hurt the US (other than our relations with Free World countries)?

S-E-C-R-E-T

S-E-C-R-E-T

INTERNATIONAL SHIPPING ASPECTS OF POSSIBLE  
ECONOMIC COUNTERMEASURES AGAINST CUBA

The present regulations in effect on shipping to Cuba provide: a) that no vessel which has called at a Cuban port on or after 1 January 1963 shall be permitted to carry US government-financed cargo from the United States unless the persons controlling the vessel give satisfactory assurance that no ships under their control will thenceforth be employed in the Cuba trade while it remains US policy to discourage such trade, and b) no US aid assistance shall be furnished to any country which sells, furnishes, or permits any ships under its registry to carry to Cuba any items of either military significance or economic assistance. These restrictions apply to shipments to Cuba from all areas, and are not limited to shipments from the Bloc. Restriction a) applies only to the ship itself rather than to all ships controlled by the same person or all ships under the same registry.

The Proposed Courses of Action

Some of the proposed sanctions go considerably further than those now in effect, denying access to US ports of all ships of the same registry (flag) as those ships carrying equipment to Cuba (no mention is made, however, of applying these more severe shipping restrictions to flags of ships carrying Cuban export goods, mostly sugar and molasses, to either the Bloc or the Free World), and denying US ports to any ships of any country providing bunkers to ships carrying goods to Cuba.

Short of the quarantine (by which it is assumed a naval blockade is meant) of ships carrying military equipment and petroleum to Cuba (n and o below), it is believed that these more severe shipping restrictions would have little effect on Cuban trade with the Bloc, which accounts for about 80 percent of all Cuban trade. Specifically the effect of each proposed restriction would be about as follows:

a. Inasmuch as sanction (a) does not call for denying all US cargo to other ships owned by the same company, the Bloc and other trading partners of Cuba could find ships for the Cuban trade with not much difficulty. Very few Western ships engage in the Cuban trade in comparison with those engaged in world trade. For example, 940 calls of Western ships were made to Cuba in 1962 in comparison to 20,520 calls at US ports (not including US ships) in 1961. If the same ships were used in the Cuban trade reasonably continuously, a maximum of 220 Western ships (about 20 tankers and about 200 dry

S-E-C-R-E-T

Group 1 Excluded from automatic downgrading and declassification
--

S-E-C-R-E-T

cargo ships) would be needed to maintain the Free World share of the Cuban trade at 1962 levels. The active world fleet totals more than 16,000 ships of 1,000 gross register tons and over, of which almost 700 are temporarily laid up for want of employment.

b. To deny access to US ports and cargoes for any ship of any line which supplies Cuba would have some effect on procurement of Western ship services by Cuba or the Bloc, but not a great deal. Some Western scheduled liner services have already cancelled Cuba as a port of call and a few other lines do not call at the US and are therefore not affected. Some non-scheduled Western shipping companies, tramp and tanker, would undoubtedly withdraw from service to Cuba. That volume of shipping could be matched, however, by using more Bloc shipping and by using more ships of those Western companies which do not normally engage in US trade or are willing to forego US trade. Freight rates would probably rise somewhat for the use of such Western ships but should cost the Bloc and Cuba a maximum of \$7 million additional, even if the Bloc did not supply more shipping to Cuba. To date, the ratio of non-Bloc to Bloc ships calling at Cuba has shifted from 71 percent non-Bloc in the period January through September 1962, to only 38 percent from 21 November 1962 through January 1963. Although a large portion of this decline is due to lack of sugar shipments in the fourth quarter of 1962, it is indicative of the increase in Bloc shipping to Cuba and also tends to confirm the plans for further increases in Bloc shipping to Cuba announced by the Bloc. Any increase in Bloc shipping serving Cuba would serve to cut down any of the aforementioned additional costs for Western ships due to rises in freight rates.

c. If all ships of any country whose ships call at Cuba are denied access to US ports and cargoes, it is believed that very little Western shipping would continue to serve Cuba. (This assumes that sanction (c) is meant to include ships carrying Cuban exports although the sanction is worded to include only ships carrying Cuban imports.) Of the flags presently serving Cuba, only the Lebanese is not represented substantially in US trade, and those flags engaging most heavily in Cuban trade -- Greek, British, Norwegian, German, Swedish, Danish, Spanish, Italian and Japanese -- have a much heavier stake in US trade than in Cuban trade. The loss of this Western shipping would necessitate the use of almost three times the cargo capacity of Bloc shipping now in the Cuban trade, or an average of about 1.5 million deadweight tons (DWT) arriving in Cuba per month compared to an average of about 500,000 DWT since the beginning of 1962. This would mean about 3 million DWT constantly in the Cuban trade compared to 1 million DWT at present. The total European Bloc fleet (not including ships under 1,000 gross register tons) amounts to about 7.6 million DWT. (Of the Communist Chinese fleet, amounting to about 750,000 DWT, only four ships are trading outside of Chinese waters). The Bloc can, therefore, expend its services to Cuba sufficiently to carry the 1962 level of Cuban trade.

S-E-C-R-E-T



S-E-C-R-E-T

(If the non-Bloc purchasers of sugar turn to other suppliers than Cuba, and the Bloc absorbs the extra, i.e. about 1 million metric tons, Bloc ships would still be needed to carry it.) Under the proposed sanctions (a) through (g) Western ships would be free to engage in carrying Bloc trade with other areas. In the present state of the world shipping market, there is no doubt that the Bloc could charter an ample number of Western ships to service those other areas from which Bloc ships would be withdrawn. A comparison of freight rates and distances in other areas with the freight rates in Cuban trade indicates that the Bloc would incur no additional costs for Western shipping. In fact, if the Bloc engages in more extensive time-chartering and continuous voyage chartering, which is not only possible but probable, the total cost to the Bloc for Western shipping might be less after the imposing of sanction (c) than before.

d. Very few ships, if any, other than the few liners in the Cuban trade, call at Latin American ports for return cargoes after bringing cargo to Cuba. This sanction would have little effect.

e. Denial of NATO cargo would have the same negligible effects as denial of US cargo covered in sanction (a) above.

f. and g. Denial of US ports and non-military aid to any country providing refueling services to ships carrying goods to Cuba would affect Italy, Spain, and Britain, principally for bunker facilities at Augusta, Italy; Ceuta, Spanish Morocco; Freeport, Bahamas, and Kingston, Jamaica. Although Jamaica is now an independent member of the Commonwealth, the bunkering facilities at Kingston are owned by British and United States companies. Ships flying the flags of all three of these countries are relatively heavily engaged in US trade and would undoubtedly choose not to endanger calls at US ports by those ships. In 1961 British flag ships carried 17 million tons of US import and export cargo, Italian ships 10.8 million tons and Spanish ships 1.7 million tons. Other bunker facilities which would be available as alternates are located in Mexico, Honduras, Costa Rica, Venezuela, Columbia, and the Azores (Portuguese) which, while not extremely vulnerable to the denial of US ports, may be vulnerable to the denial of non-military aid. In other bunkering ports in the West Indies, such as Aruba, Curacao, and Bermuda, the facilities are either Dutch or British-owned and would be affected by the sanction covering denial of US ports. (Dutch flag ships carried 8 million tons of US cargo in 1961.) If the sanctions concerning bunkering services are effective on the foregoing bunkering stations, it would be necessary for ships in the Cuba trade to bunker at Cuba and/or at Bloc ports. Any attempt to supply additional bunkers in Cuba would put a heavy burden on Cuban bunkering facilities as well as creating the need to import more bunker fuel from the USSR than is now moving. With a few exceptions, Bloc ships are apparently carrying bunkers for the round trip. If Western ship or Bloc ships

S-E-C-R-E-T

S-E-C-R-E-T

substituting for Western ships bunkered at Cuba for one half of the round trip, the amount involved might amount to about 250,000 tons of fuel oil. This amount would necessitate about 20 additional tanker trips from the USSR as well as the use of 2 or more tankers stationed at Cuban harbors as bunker supply depots, a very expensive method of bunkering. If all ships bunkered for the round trip in Bloc ports, the effect on the ships' cargo space would be minimal because most of the cargo except POL coming into Cuba is not weight cargo and the extra weight of the fuel oil would not lessen the amount of cargo which could be carried. Some extra bunkering would probably even then have to be supplied in Cuba for any dry cargo ships coming to Cuba from non-Bloc areas to pick up Cuban sugar.

i. Establishment of mobile OAS inspection teams to check all ships and planes arriving in Latin America from Cuba would probably reduce but not eliminate the flow to Latin America of propaganda and financing of subversive activities from Cuba. Similarly, Cuba would be discouraged from attempting arms shipments by common carrier. Despite the existence of such teams, however, Cuba could, if it desired, continue to introduce propaganda and subversive financing into Latin America by a variety of clandestine means. With respect to arms shipments, there are many reasons to believe that Castro expects Latin American insurgents to obtain their weapons primarily from indigenous sources.

S-E-C-R-E-T

S-E-C-R-E-T

m. A ban on air flights between Cuba and Free World countries would affect only Mexico, the only Free World country with which Cuba has air connections.

If the interdiction of air flights between Cuba and the Free World is extended to include the denial of Free World air facilities and services to Bloc or Cuban aircraft, the Prague-Havana service (flown by Czechoslovakia and Cuba) would be impossible to maintain. The only air access to Cuba would then be the Soviet aeroflot service from Moscow to Havana. This is a once weekly non-stop flight carrying only 60 passengers.

n. and o. A quarantine (naval blockade) of petroleum shipments to Cuba would cut off all Cuba's supplies of petroleum as it is all imported. Furthermore, tankers are easily recognized as such. A quarantine on shipments of military equipment to Cuba, on the other hand, would necessitate stopping and searching each dry cargo ship destined for Cuba in order to determine whether military type cargo is aboard.

#### The Consideration of US Vulnerability

All of the foregoing evaluations have been based on the assumption that most Western countries owning ships would forego shipping to Cuba rather than jeopardizing the employment of their ships in the US trade. In the event that Western countries, except Liberia and Panama which have already passed shipping regulations forbidding calls at Cuba, were to take concerted action and agreed to withdraw their ships from the US trade, the extent of US vulnerability should be pointed out. In 1961 ships of other than US, Liberian or Panamanian registry carried 55 percent of all US import and export cargo, 70 percent of US export cargo, and 72 percent of all cargo carried by scheduled lines (usually general cargo) of which much the greatest portion is US export cargo. They carry 63 percent of all bulk dry cargoes, 75 percent of bulk dry cargo exports. Of US cargoes carried by tankers (of which 88 percent is import cargoes), the flags in question carry 42 percent. Any concerted action against the more severe shipping restrictions would therefore find the US unable to maintain more than a fraction of its present overseas trade.

S-E-C-R-E-T

S-E-C-R-E-T

THE ESTIMATED IMPACT OF PROPOSED ECONOMIC COUNTERMEASURES  
AGAINST THE SOVIET BLOC

The Soviet Bloc today represents a largely self-sufficient economic unit having a vast and diverse natural resources base, a well-developed and rapidly growing industrial plant, and an increasingly skilled labor force. By far the largest part of Bloc trade is conducted within the Bloc. Soviet Bloc trade with the developed West, particularly the NATO countries, reflects the long-standing Bloc policy of maximizing economic growth by means of injections of advanced Western technology. Because of these facts, the denial of all Western goods to the Soviet Bloc would serve to retard only moderately the rapid growth rates of the Bloc economy in general. In a few sectors of the economy such as the chemical industry, an embargo of Western equipment would upset the achievement of the present Seven Year Plan goals. Impact on the Bloc's military potential would not be significant.

The total volume of Soviet Bloc trade (exports plus imports) approximates \$29 billion\* with exports and imports each accounting for roughly half of the total. Intra-Bloc trade accounts roughly for two-thirds of the total, i.e., about \$20 billion. The remaining \$9 billion in trade volume which is conducted with the Free World is divided roughly as follows: developed West -- \$5.5 billion, of which NATO and Japan -- \$4.2\*\* billion, and the underdeveloped West -- \$3.5 billion.

The cessation of Soviet Bloc trade with the Free World would therefore involve commodity exchanges aggregating \$9 billion. In terms of impact of the Soviet Bloc economy, however, only Soviet Bloc imports from the NATO countries and Japan (about \$2.1 billion in 1961) are significant because of the machinery and equipment embodying advanced technology which these imports provide. Such goods are designed to save extensive research and development within the Bloc and to supplement

\* All foreign trade data are for 1961.

\*\* From Bloc data which understates Free World data by approximately \$100 million, the latter including transportation costs.

S-E-C-R-E-T

S-E-C-R-E-T

Soviet Bloc production. Bloc trade with the remainder of the Free World is largely marginal to Bloc economic needs. With the possible exception of natural rubber (about 350,000 tons imported by the Bloc annually), the cessation of Soviet trade with the underdeveloped countries would not involve much more than shortfalls in the rubber industry.

Pursuant to official policy -- and aided in part by the impact of past Western trade embargoes -- the countries of the Soviet Bloc have consistently followed a course designed to achieve maximum economic independence from the West. The long-term economic plans of the Soviet Bloc countries rely for the bulk of their import requirements on intra-Bloc trade. On the other hand, the Soviet Bloc economy does not have within itself the capacity to maintain its self-imposed high growth rates in some key industries, e.g., metallurgical, electronic, and chemical, at the same time meeting other competing demands on the economy -- military, consumer welfare, etc. -- without injections of advanced technology and equipment from the developed West and, in particular, the NATO countries. The current economic difficulties which Bloc countries are undergoing (stagnation in agriculture, slowdown in industrial growth) are a function of just such inability to meet all these competing demands on their resources.

The denial of all goods and services produced in NATO\* countries to members of the Soviet Bloc would, under generous assumptions of impact, cause a retardation in economic growth in Communist Europe of \$3½ billion on an annual basis. This loss would be the equivalent of two to three months' increment to output, and would be borne primarily by the European Satellites. The estimated cost to the USSR would probably be about \$1.5 billion or roughly one month's growth; that to the other countries of Eastern Europe \$2 billion or about six months' growth. The loss would be felt most keenly in the months immediately following the embargo. Because of the importance of NATO suppliers to Bloc investment plans, a denial of industrial machinery and equipment would result in a slightly reduced long-run rate of economic growth, although the loss would decline rapidly in each succeeding year.

The actual loss experienced in the first year following the imposition of an embargo would be much more qualitative (a loss of modern

\* The estimates would be roughly the same with respect to a total Free World embargo.

S-E-C-R-E-T

S-E-C-R-E-T

technology which would effect costs of production) than quantitative (an absolute loss of output). In fact, it has not been possible to identify any single item imported from the Free World which is truly a "bottleneck" -- i.e. -- for which there is no possible substitute. Other than investment goods, the acquisition of which obviates considerable research and development effort and, therefore, facilitates expansion of output, the only goods imported from the Free World for which the available alternatives are substitutes of considerable inferiority are special steels and rubber.

Because the advanced steel items, primarily rolled or specially alloyed forms, are already in somewhat short supply within the Bloc their output could not be expanded to compensate fully for the loss of imports. Nonetheless, substitution of other forms of steel for the loss of special steels is technologically possible; in many instances, use of the inferior substitutes has only very recently been abandoned by the Bloc. The shift to the less desirable input could thus be accomplished with little dislocation, although a product of lower quality would result. A denial of rubber and rubber products would cause a decline in quality which would have serious cumulative effects. The life of tires for motor vehicles would be seriously reduced, particularly if carbon black and other products necessary for the production of tires are denied.

In the weeks immediately following the imposition of embargo, the degree of disruption which the Bloc economies would experience would depend primarily on the level of their inventories of imported materials. With sufficient reserves to tide them over the period of adjustment to substitutes, the degree of disruption, and, therefore, the size of the immediate impact would be negligible: the burden of the embargo would fall entirely on growth rates. If inventories are not sufficient to satisfy requirements during the shift to substitutes -- and it seems likely that this would be true in a number of industrial sectors, especially in the European Satellites -- the immediate impact of the embargo could be significant. Because of the possibilities for substitution, however, the major part of the economic cost resulting from an embargo would probably not occur immediately, but rather during the first year after the embargo.

Soviet Bloc trade with the US is of little significance, either to the US or to the Bloc. The 1961 turnover amounted to some \$200 million -- and even this low level probably was not attained in 1962. The US accounts for roughly 0.5 percent of Bloc trade, while the Bloc takes up only 0.7 percent of US trade. All commodities exchanged between the US and the Bloc can be procured elsewhere with relative ease at marginal differences in cost. The surplus US agricultural products shipped to Poland would cause some difficulties for food availabilities, but these are considered to be a minor part of total Polish food consumption.

S-E-C-R-E-T

S-E-C-R-E-T

## NATO (Including Japan) Exports to the European Bloc and USSR, 1960-61

	Value - Millions of US\$					
	1960			1961		
	European Bloc Value	Percent	USSR Value	Percent	European Bloc Value	USSR Value
Total	1,985.7	100.0	732.4	100.0	2,186.0	826.3
Food, Beverages and Tobacco, Fats and Oils	304.7	15.3	46.8	6.4	313.6	14.3
Crude Materials	213.4	10.7	73.9	10.1	275.4	12.6
Mineral Fuels, Lubricants and Related Materials	11.6	0.6	0.1	Neg	13.1	0.6
Chemicals	171.0	8.6	46.4	6.3	186.2	8.5
Manufactured Goods	740.7	37.3	293.4	40.1	721.2	33.0
(of which Iron and Steel)	(474.8)	(23.9)	(215.9)	(29.5)	(434.3)	(19.9)
Machinery and Transport Equipment	516.8	26.0	268.2	36.6	648.0	29.6
Other Merchandise and Miscellaneous Transactions	27.5	1.4	3.7	0.5	28.5	1.3
					6.8	0.8

Note: Figures may not add to totals because of rounding.

Source: UN Commodity Trade Statistics, US Department of Commerce, Summary of Country - by Commodity Series.

S-E-C-R-E-T

S-E-C-R-E-T

THE ESTIMATED IMPACT OF A NATO EMBARGO (E) AND OF AN  
OAS (H) EMBARGO ON IMPORTS FROM CUBA

e. Initiate NATO regulation to provide that no ships supplying Cuba may pick up cargoes in other NATO countries.

The major thrust of this regulation would be the embargo of all NATO exports to Cuba. The following discussion, therefore, relates to the effect of such an embargo.

1. During 1962, NATO countries exported about \$40 million worth of goods to Cuba, equivalent to approximately 6 percent of Cuba's total imports.

2. Cuba would be hurt by the loss of direct access to certain types of commodities either unavailable or not readily available from the Bloc. These include (a) spare parts for US and European machinery and equipment (b) some industrial chemicals, and (c) some types of machinery and equipment, particularly electrical equipment.

3. Cuba could procure these items indirectly through the Bloc and non-NATO Free World countries such as Egypt, Morocco, Tunisia, Spain, Japan, Mexico, etc. The cost of importing the goods in question would be considerably increased however, and supply would probably be irregular and uncertain.

Bloc countries could supply Cuba with many of the foods, raw materials and machinery items now imported from NATO. Furthermore, the Bloc would be forced either to purchase larger amounts of Cuban commodities which are of only marginal value to the Bloc economies or, alternatively, to increase the amount of balance-of-payments support already being provided to Cuba.

4. There appears to be no particular cost to the US involved in this regulation.

h. Initiate OAS embargo on imports from Cuba.

1. OAS imports from Cuba in 1962 accounted for less than 2 percent of Cuba's total exports.

2. In view of this small level of trade, Cuba could probably find other markets for its OAS exports without much damage to export earnings. Imports from OAS countries might be effected, but they are also only about 2 percent of total Cuban imports and could consist of commodities which are fairly readily available from other areas.

S-E-C-R-E-T



S-E-C-R-E-T

k. Initiate a Free World boycott of Cuban goods.

1. During 1962, Free World countries took about 20 percent of the value of total Cuban exports. Furthermore, these exports provided Cuba with most of its convertible currency income.

2. The loss of these exports would mean that Cuba would be forced to reduce imports by about \$100 million. This would probably mean a large cut in the import of capital goods and this in turn would sharply reduce the possibility of future growth of the Cuban economy. Imports of foods and raw materials would probably be maintained, however.

3. The Bloc could absorb Cuba's present exports to the Free World either (a) for consumption within the Bloc or (b) to increase its function as a middleman for Cuban exports, i.e., increase its re-export of Cuban goods. Under the first alternative Cuba might maintain its level of exports but at the loss of virtually all hard currency income and those few imports that must be acquired from hard currency areas ( see e. above). Under the second alternative, Cuba might maintain not only its level of exports but at least some of its hard currency income.

4. There appears to be no cost to the US in this policy.

S-E-C-R-E-T

S-E-C-R-E-T

THE ESTIMATED IMPACT OF PROPOSED QUARANTINE OF MILITARY  
EQUIPMENT (N) AND PETROLEUM (O) ON CUBA

n. Institute quarantine on shipments by Soviet Bloc or any other countries of any military equipment to Cuba.

1. How much trade would be affected by the restriction if it were put into effect?

The present level of trade in military equipment destined for Cuba is very small. There is no evidence to suggest that any non-Bloc country has delivered military equipment to Cuba since Belgium terminated shipments of small arms in the first half of 1960. During the almost four months that have now elapsed since the missile crisis, Bloc deliveries of military equipment also have dropped off drastically. Since the termination of the autumn US naval quarantine, only two vessels (both Soviet) have been positively identified as carrying cargoes to Cuba that are primarily military in character. The total tonnage of these cargoes has been estimated at about 4,000 tons, and there is no indication that these cargoes included advanced weapons such as missiles or jet aircraft.

2. In what ways and how much would restriction hurt (a) Cuba and (b) the Bloc?

From the economic standpoint, Cuba would benefit rather than be hurt by the restriction. Human and material resources in Cuba which might otherwise be unproductively allocated to sustain an increasing large military establishment could be allocated instead to productive economic activity. Militarily, the restriction would take its toll on Cuba over time. Cuba would encounter great difficulty in obtaining sufficient spares and replacements to offset obsolescence of its present military inventory. Other than a probable loss of prestige, such a restriction would not hurt the Bloc; rather, the Bloc would benefit by being relieved of the necessity to subsidize the equipping and maintenance of the Cuban military establishment.

To a very limited degree, the restriction could be circumvented by direct airlift of highly critical military spares and replacements from the Bloc to Cuba. From the purely economic standpoint, the cost of such an airlift would not be prohibitive for the USSR. If intermediate refueling stops were denied the USSR would, however, run the risk of losing some of its long-range transports on this long and rather hazardous run.

4. In what ways and how much would the restriction hurt the US (other than our relations with Free World Countries)?

Economically, the restriction would not hurt the US.

S-E-C-R-E-T

S-E-C-R-E-T

o. Institute quarantine on shipments by Soviet Bloc or any other countries of any petroleum shipments to Cuba.

1. How much trade would be affected by the restriction if it were put into effect?

All of Cuba's imports of petroleum and petroleum products (which provide about 99 percent of Cuba's total supply) are obtained from the Soviet Bloc. Imports in 1962 were:

Crude	-	3,600,000 metric tons valued at \$40 million, FOB
Products	-	900,000 metric tons valued at \$14 million, FOB
Total	-	<u>4,500,000</u> metric tons valued at <u>\$54 million</u> , FOB

In 1962, the value of POL imports made up nearly 10 percent of the value of Cuba's total estimated imports of \$650 million.

2. In what ways and how much would the restriction hurt (a) Cuba and (b) the Bloc?

A quarantine on shipments by the Soviet Bloc and Free World countries of petroleum to Cuba would result in an extremely sharp cutback in Cuba's economic activity, with particularly severe impacts on manufacturing, transportation, electric power production, and mechanized or motorized agricultural operations. The mobility of the Cuban armed forces would be sharply curtailed, with the constriction increasing in proportion to the length of the quarantine. Households also would feel the pinch as kerosene soon would be virtually unobtainable. Within a matter of months, Cuba would exhibit many of the characteristics of a primarily subsistence economy.

Although it might be possible to transport small quantities of very high priority petroleum products by air from the Bloc to Cuba, this means of transport is unlikely to be very important. The TU 114 is the largest aircraft that could be utilized for this traffic and it probably could carry only about 10 - 15 tons per flight.

Whereas a quarantine would hurt Cuba, it would, if anything, help the Bloc economically. POL not exported to Cuba would be available for sale in other markets (for example, Western Europe and Brazil) perhaps under terms more advantageous to the Bloc than is the situation with the Cuban market. Alternatively, the Bloc could make increased quantities of petroleum available for domestic consumption. Furthermore, the cost of chartering Free World tankers to ship POL to Cuba -- generally involving the payment by the USSR of hard currencies -- would be eliminated.

S-E-C-R-E-T

S-E-C-R-E-T

3. What would (a) Cuba, and (b) the Bloc do to operate in the face of the restriction? Could they get around the restriction; if so, at what cost?

Inasmuch as Cuba is almost completely dependent on imports for petroleum (domestic production provides only a negligible part of Cuba's supply), a quarantine would place Cuba in the position of having to depend entirely on stocks of POL available at the time of the imposition of the quarantine. At current normal consumption rates, Cuba's reserves of crude oil probably would last about 20 days and reserves of petroleum products probably would last about 60 - 180 days, depending on the type of product stored.

The inference should not be drawn from the above figures on reserves that the Cuban economy would cease to function at the end of 180 days. At the time of the imposition of a quarantine, Cuba almost certainly would institute a rigorous program for the control of distribution and consumption of petroleum products. The nature of these controls would determine to a large extent the degree to which available supplies might be stretched out. For example, the government probably would take such actions as imposing strict rationing on motor gasoline, severely limiting the amount of military training that entails consumption of petroleum, halting production of low-priority goods whose production require petroleum, and taking inefficient power plants out of operation.

The government might attempt to utilize more intensely power plants of the sugar mills, many of which burn bagasse, a waste product of the sugar industry. Only if Cuba sharply reduced its production of sugar for export and burned other solid fuels in place of bagasse could these plants provide any relief from a petroleum shortage.

Cuba derives much of its energy from sources other than petroleum. In 1957, for example, about 52 percent of Cuba's primary energy was derived from petroleum products and 48 percent was from solid fuels, primarily bagasse. By intensive exploitation Cuba could obtain considerable energy from its large reserves of forests and peat. However, any sizable increase in the utilization of solid fuels would be expensive and would require considerable time. Most of the solid fuels consumed in 1957 was consumed in agriculture -- primarily the sugar industry -- and this sector consumed more than 50 percent of the total energy consumed in the country. The other sectors of the economy, which consume primarily petroleum products, would have a difficult time, at least in the short run, in converting their energy systems to solid fuels of any kind.

4. In what ways and how much would the restriction hurt the US (other than our own relations with Free World Countries)?

S-E-C-R-E-T

S-E-C-R-E-T

There would be no economic impact on the US but the US oil industry might exert political pressures as a result of possible actions by the USSR.

If the USSR were to attempt to sell to other consumers the bulk of the oil now being sold to Cuba at prices even lower than they have heretofore charged, there is a strong possibility that such sales to the Industrialized West would tend to strain relations between such recipient countries and the US. For at least the past two years there have been sharp disputes between the US and its NATO allies regarding the seriousness of dependence on Soviet oil. Should Italy, the UK, or West Germany, for example, find new Soviet price offers particularly attractive, there is little doubt that the US and possibly other European trade-tariff areas would be complaining to each other.

On the positive side, radical price cutting by the USSR might win the US some political support among oil producers in the Middle East and Venezuela who have thus far largely tolerated Soviet incursions into Western European marketing areas.

S-E-C-R-E-T